Overwhelming bipartisan support could loosen the shackles of mandatory regulatory change coming for mortgages, but probably not enough to allow consumers to escape the mortgage money squeeze they already face.

Pounded by powerful lobbying efforts from consumer advocates and minority, housing and real estate industry groups, 280 members from the 433-member U.S. House of Representatives and 44 of the 100 U.S. senators have signed up to oppose the most stringent “Qualified Residential Mortgage” or QRM, according to Christopher J. Bognanno, spokesman for the Washington, D.C., office of **Rep. John Campbell,** R-CA.

QRMs are low default-risk home loans required under the Mortgage Reform and Anti-Predatory Lending Act provisions in the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Dodd-Frank requires banks and other firms that issue mortgage-backed securities to keep 5 percent of the loans that they bundle and sell as securities. The idea is for banks to retain some of their mortgage-based risks.

Perhaps, if banks previously had been required to hold onto some of their securities, Wall Street wouldn’t have crashed under the weight of toxic mortgage-based investments the lenders sold.

In any event, anything that regulators deem a QRM would be exempt from the 5 percent rule.

Because of the low risk, borrowers who qualify for a QRM will pay less than those who use home loans not designated as a QRM. Some analysts estimate that mortgage rates on non-QRMs could cost as much as three percentage points more than QRM rates, but a QRM won’t be easy to land.

According to the proposed definition, QRM borrowers would have to:

> Put at least 20 percent down to buy a home, have at least 25 percent in equity to refinance, have at least 30 percent in equity for a cash-out refinance.

> Have house payments that don’t exceed 28 percent of before-tax income, and total monthly debt payments (house, credit cards, auto, student loans) couldn’t exceed 36 percent of before-tax income.

> Not have been 60 days delinquent on any debt payments in the last two years.

Campbell, along with U.S. Rep. Brad Sherman, D-CA, drafted the heavily supported letter that says the current version of the QRM would price creditworthy first-time and minority buyers out of the market.

According to the National Association of Realtors (NAR), 60 percent of recent home buyers made less than a 20 percent down payment. CoreLogic says 39 percent of home buyers in 2010 made a down payment of less than 20 percent. Other studies put the number somewhere in between.

In any event, many of those loans would not have passed muster under QRM rules.

The Center for Responsible Lending says, based on average home prices, it would take 14 years for the typical American family to save enough money for a 20 percent down payment, longer for high-cost areas like California.

Blocking so many potential mortgages would stall the already anemic economic recovery, QRM opponents say.

Housing accounts for more than 40 percent of the Consumer Price Index, according to the U.S.

Department of Labor. The index is a measure of consumer expenditures.
Consumer spending is the fuel that keeps the economy cranking.

Given many of the under 20-percent-down mortgages in 2010 were financed with the assistance of private mortgage insurance, legislators say QRMs should be available for less than 20 percent down with a private mortgage insurance requirement. The insurance reduces risk by covering certain losses in case of a default.

“Mortgage insurers have well-established procedures that have been shown to mitigate and cure loan deficiencies,” the legislators’ letter says.

But even if the QRM down payment was lowered to 10 percent, as some suggest, one in four homebuyers could still be priced out of the market based on the nearly 25 percent of home buyers in 2010 who paid less than 10 percent down, according to CoreLogic.

It may be all moot.

Credit rating agency DBRS says underwriting standards today already simulate QRMs.

According to DBRS, today’s prime borrowers often must have an 80 percent loan-to-value ratio, a credit score of 680 to 720, two years worth of W-2 forms and re-verification of employment within 10 days of closing the loan.